

TABLE OF CONTENTS

INTRODUCTION	1
SCOPE	1
EXECUTIVE SUMMARY	2
AGENCY RESPONSE	2-3
FINDINGS AND RECOMMENDATIONS	
Salaries Expense	3
Children's Trust Fund Contract- #CTF PR-05-82001	
Fiduciary Duties	4
Outdated Letters of Collaboration	4
Cash and In-kind Match	4-5
Homeless Youth Contract- #HY-02-82001	
Salaries	5
Fringe Benefits	6
Runaway Contract - #R-02-82001	
Salaries	6
Fringe Benefits	7
Occupancy, Supplies, Miscellaneous	7
Equipment, Transportation and Contractual Services	7
SCHEDULE A	8
SCHEDULE B	9

INTRODUCTION

Starfish Family Services (Starfish) entered into contracts #CTF PR-05-82001, # HY- 02-82001, and # R-02-82001 with the Department of Human Services (DHS). Under the Children's Trust Fund (CTF) contract Starfish was to provide screening, home visits, infant massage groups, parent support groups, play groups, newsletters, a resource guide, supportive phone calls, and referral services to at-risk families. Under the Homeless Youth (HY) contract they were to provide age appropriate supervision and care, and crisis intervention services to homeless youth who were without housing. The Runaway (R) contract required Starfish to provide intervention, case management, counseling, placement, prevention, community education, and follow-up services. The Children's Trust Fund Agreement totaled \$162,250 per year and covered the period October 1, 2004 through September 30, 2007. The Homeless Youth and Runaway contracts totaled \$285,000 and \$450,965 respectively per year and covered the period October 1, 2004 through September 30, 2005. Starfish was reimbursed for the actual costs incurred in providing homeless youth and runaway services, through submission of monthly billings to DHS. For the CTF contract, Starfish was paid in quarterly increments, subject to their complete compliance with the terms of the Agreement with DHS.

SCOPE

The Office of Internal Audit performed an audit of Starfish Family Services for the period October 1, 2004 through June 30, 2005. The purpose of our audit was to determine if their billings were accurate, and if the costs charged were allowable per the terms of the contract and properly supported by the accounting records and other supporting documentation.

EXECUTIVE SUMMARY

Based on our audit, we concluded that Starfish did not have a proper system of accounting and documentation in place to support the billings submitted to DHS. Starfish overbilled DHS by \$44,318.65 for the HY contract and \$42,636.62 for the R contract. The overbillings were a result of salaries billed for employees who worked on the contract but were not included in the contract budget detail, and costs that were improperly classified. In addition, Starfish did not have documentation that they satisfactorily perform their fiduciary responsibilities for the Children's Trust Fund agreement, could not document that they had provided the required cash match, and did not have current letters of collaboration in place with their collaborative agencies.

Our report recommends that the DHS Children's Services Administration (CSA) either initiate the process to recoup the overbilled amount of \$44,318.65 for the HY and \$42,636.62 for the R contracts or obtain information from Starfish on the salaries billed that were for positions not included in the contract budget detail to determine if the employees in these positions provided services that were included in the contract budget detail under different job titles. CSA should reduce the amount to be recouped by the amount of salaries that they determine is allowable for these additional positions.

Our report also recommends that CSA ensure that Starfish performs its fiduciary duties to comply with the Grant Agreement requirements for the Children's Trust Fund.

AGENCY RESPONSE

The management of Starfish Family Services has reviewed all findings and recommendations included in this report. They responded in letters dated March 21 and April 6, 2006 and in a May 15, 2006 e-mail, that they were in general agreement with findings #1-4. Starfish Human Services provided position descriptions for positions

charged, but not included in the budget (findings 5-8). CSA will need to make a determination of how much of the additional salaries cost is allowable.

FINDINGS AND RECOMMENDATIONS

Salaries Expense

1. Starfish Family Services did not properly document employees' time and activity. Federal Office of Management and Budget (OMB) Circular A-122, *Cost Principles for Non-Profit Organizations*, states in part "Reports reflecting the distribution of activity of each employee must be maintained for all staff members (professional and non-professional) whose compensation is charged, in whole or in part, directly to awards....The reports must reflect an *after the fact* determination of the actual activity of each employee. Budget estimates (i.e., estimates determined before the services are performed) do not qualify as support for charges to awards. Each report must account for the total activity for which employees are compensated and which is required in fulfillment of their obligations to the organization."

Starfish Family Services billed for salaries expense based on the percentage in the contract budget from October 1, 2004 through June 30, 2005. In October 2005, the agency developed and began keeping time sheets by program and activity. Starfish had adequate documentation that their employees performed the services required by the contract, and the amounts charged for each employee appeared reasonable.

WE RECOMMEND that CSA monitor to ensure that Starfish continues to maintain appropriate procedures to comply with OMB Circular A-122.

Childrens Trust Fund Contract #CTF PR-05-82001

Fiduciary Duties

2. Starfish Family Services did not document the quarterly coordination meetings held with their collaborative agencies. Starfish personnel informed us that they performed the administration and coordination duties required by their Grant Agreement through these quarterly meetings. However, Starfish could not provide meeting minutes or agendas to document that the meetings occurred and that relevant topics were discussed. Also Starfish failed to reimburse its collaborative agencies for their expenses on a timely basis, even though Starfish received timely reimbursement from DHS.

WE RECOMMEND that CSA ensure that Starfish implements a process to perform the agreed upon fiduciary responsibilities, including timely reimbursement to the collaborative agencies.

Outdated Letters of Collaboration

3. Starfish did not have current Letters of Collaboration with its partner agencies at the time of our review. The Letters of Collaboration are necessary to document the agreed upon duties and services of each agency that has a role in the After Baby Comes Program.

WE RECOMMEND that CSA ensure that Starfish maintains up-to-date Letters of Collaboration with its partner agencies.

Cash and In-kind Match

4. Starfish could not document that they had provided the required cash match for the After Baby Comes Program. According to the contract budget, Starfish was required

to provide cash match of \$26,526 and in-kind match valued at \$26,283 for the period 10/1/04 – 9/30/05. As of 6/30/05 Starfish had provided in-kind match that exceeded the required amount, but they only had documentation to support \$4,500 of cash match.

WE RECOMMEND that CSA initiate the process to recoup any funds that are unallowable due to the lack of cash match for this program.

Homeless Youth Contract #HY-02-82001

Salaries

5. Starfish overbilled DHS \$37,470.51 for salaries. Starfish billed DHS \$134,268.87 for salaries expense, but their accounting records only supported \$96,798.36 for positions funded by the HY contract. Starfish billed DHS for the following positions that were not included in the contract budget detail: human resource director, chief operations officer, supervisor intake coordinator/family advocate, program director adolescent program, controller/finance director, youth development specialist, family advocate, contracts administrator, and grants writer. Some of the employees in these positions may have performed duties that DHS intended to fund through this contract, although the titles of their positions differed from those listed in the contract budget detail. (See Schedule A)

WE RECOMMEND that CSA either initiate the process to recoup \$37,470.51, or allow Starfish to document the duties of the employees in these positions, determine which positions performed duties allowable per the terms of the contract, and initiate the process to recoup the amount billed that is not allowable.

Fringe Benefits

6. Starfish Family Services overbilled DHS \$6,848.14 for fringe benefits. Starfish billed \$27,090.23, of which \$20,242.09 was supported by the accounting records. Additional fringe benefits would be allowable if CSA determines that some of the positions included in finding #5 are allowable. (See Schedule A).

WE RECOMMEND that CSA either initiate the process to recoup the \$6,848.14 for the overbilled fringe benefits or allow additional fringe benefits related to any additional allowable salaries, and initiate the process to recoup the remainder.

Runaway Contract #R-02-82001

Salaries

7. Starfish overbilled DHS \$28,278.26 for salaries. Starfish billed DHS \$193,631.86 for salaries, expense, but their accounting records only supported \$165,353.60 for positions supported by the Runaway contract. Starfish charged for the following positions that were not included in the contract budget: program manager, case manager, youth development specialist, contracts administrator and crisis intake workers. Some of the employees in these positions may have performed duties that DHS intended to fund through this contract, although the titles of their positions differed from those listed in the contract budget. (See Schedule B).

WE RECOMMEND CSA either initiate the process to recoup \$28,278.26, or allow Starfish to document the duties of the employees in these positions, determine which positions performed duties allowable per the terms of the contract, and initiate the process to recoup the amount billed that is not allowable.

Fringe Benefits

8. Starfish overbilled DHS \$13,572.51 for fringe benefits. Starfish billed DHS \$48,050.18 for fringe benefits, of which \$34,477.67 was supported by the accounting records. Additional fringe benefits would be allowable if CSA determines that some of the positions included in finding #7 are allowable. (See Schedule B.)

WE RECOMMEND that CSA either initiate the process to recoup \$13,572.51 for the overbilled fringe benefits or allow additional fringe benefits related to any additional allowable salaries, and initiate the process to recoup the remainder.

Occupancy, Supplies, Miscellaneous

9. Starfish Family Services overbilled DHS \$5,270.71, \$270, and \$807.50 for Occupancy, Supplies and Miscellaneous expense respectively. Starfish misclassified some expenses and billed for costs that were unallowable costs per the terms of the contract.

WE RECOMMEND that CSA initiate the process to recoup \$6,348.21 from Starfish for misclassified and unallowable charges.

Equipment, Transportation and Contractual Services

10. Starfish Family Services underbilled DHS \$2,236.45, \$333.65 and \$2,992.26 for Equipment, Transportation and Contractual Services respectively because they either did not bill for the costs or billed them under the incorrect line item.

WE RECOMMEND that CSA offset the underbilled amount against the amount to be recouped from Starfish. (See Schedule B.)

SCHEDULE A
Starfish Family Services
HY-02-82001-4
Comparison of Billed vs Actual Expenses
October 1, 2004 thru June 30, 2005

Line Item	Budget	Billed Cost	Audited Cost	Over(Under)billed
Salaries	\$183,001.44	\$134,268.87	\$96,798.36	\$37,470.51
Fringes	\$27,008.56	\$27,090.23	\$20,242.09	\$6,848.14
Occupancy	\$18,600.00	\$5,073.64	\$5,073.64	\$0.00
Communication	\$2,818.00	\$3,017.21	\$3,017.21	\$0.00
Supplies	\$2,700.00	\$1,897.21	\$1,897.21	\$0.00
Equipment	\$1,560.00	\$1,638.00	\$1,638.00	\$0.00
Local Transport.	\$10,361.00	\$3,260.64	\$3,260.64	\$0.00
Specific Assist.	\$30,000.00	\$27,201.15	\$27,201.15	\$0.00
Misc.	\$8,951.00	\$3,275.97	\$3,275.97	\$0.00
Total	\$285,000.00	\$206,722.92	\$162,404.27	\$44,318.65

SCHEDULE B
Starfish Family Services, Inc.
R-02-82001
Comparison of Billed vs Actual Expenses
October 1, 2004 through June 30, 2005

Line Item	Budget	Billed Cost	Audited Cost	Over(Under)billed
Salaries	\$265,364.00	\$193,631.86	\$165,353.60	\$28,278.26
Fringes	\$72,859.00	\$48,050.18	\$34,477.67	\$13,572.51
Occupancy	\$54,800.00	\$28,961.02	\$23,690.31	\$5,270.71
Communication	\$9,990.00	\$8,317.68	\$8,317.68	\$0.00
Supplies	\$18,150.00	\$4,710.87	\$4,440.87	\$270.00
Equipment	\$16,990.00	\$7,252.22	\$9,488.67	-\$2,236.45
Local Transport	\$1,000.00	\$1,050.00	\$1,383.65	-\$333.65
Contract Serv	\$3,500.00	\$609.71	\$3,601.97	-\$2,992.26
Spec. Assist	\$500.00	\$29.04	\$29.04	\$0.00
Misc.	\$7,812.00	\$5,927.24	\$5,119.74	\$807.50
Total	\$450,965.00	\$298,539.82	\$255,903.20	\$42,636.62